

UNITED STATES HOUSING ACT OF 1996

APRIL 25, 1996.—Ordered to be printed

Mr. LEACH, from the Committee on Banking and Financial
Services, submitted the following

SUPPLEMENTAL REPORT

[To accompany H.R. 2406]

The CBO cost estimates are now being filed to supplement the
report originally filed on February 1, 1996.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 9, 1996.

Hon. JAMES A. LEACH,
*Chairman, Committee on Banking and Financial Services,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office (CBO)
has prepared the enclosed federal cost estimated and intergovern-
mental mandates statement for H.R. 2406, the United States Hous-
ing Act of 1996, as reported by the House Committee on Banking
and Financial Services on February 1, 1996. The bill would impose
no new private sector mandates as defined in Public Law 104-4.

CBO estimates that enactment of H.R. 2406 would not affect di-
rect spending or receipts. Therefore, pay-as-you-go procedures
would not apply to the bill.

If you wish further details on this estimate, we will be pleased
to provide them. The CBO staff contact is Brent Shipp.

Sincerely,

JAMES L. BLUM
(For June E. O'Neill, Director).

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 2406.
2. Bill title: The United States Housing Act of 1996.
3. Bill status: As reported by the House Committee on Banking
and Financial Services on February 1, 1996.

4. Bill purpose: The bill would eliminate or significantly change the programs through which the bulk of federal low-income housing assistance is currently provided. The United States Housing Act of 1937, which authorizes the public housing program and the section 8 rental assistance program, would be repealed. H.R. 2406 would establish new public housing and rental assistance programs and would authorize appropriations to fund them.

5. Estimated cost to the Federal Government: H.R. 2406 would authorize appropriations of almost \$34 billion for the five fiscal years 1996 through 2000 beyond what has already been provided in appropriations for 1996. CBO assumes that the bill would be enacted by July 1, 1996, and that the authorized amounts would be appropriated by the beginning of each fiscal year starting after 1996. We estimate that enactment of the bill would not affect direct spending or receipt. Therefore, pay-as-you-go procedures would not apply. The estimated budgetary impact of this bill is summarized below.

TABLE 1: ESTIMATED BUDGETARY IMPACT OF H.R. 2406
[By fiscal year, in millions of dollars]

	1995	1996	1997	1998	1999	2000
Spending under current law:						
Budget authority	8,241	9,423	0	0	0	0
Estimated outlays	16,555	15,708	13,851	7,928	3,933	2,069
Proposed changes:						
Authorizations of appropriations	0	1,001	8,213	8,215	8,216	8,218
Estimated outlays	0	127	2,930	5,592	6,354	6,955
Spending Under H.R. 2406:						
Budget authority/authorizations	8,241	10,424	8,213	8,215	8,216	8,218
Estimated outlays	16,555	15,797	16,781	13,520	10,287	9,024

The costs of this bill would fall within budget function 600.

6. Basis of estimate: Title II of the bill would significantly revise the provisions of the federal public housing program. The existing program is administered by local public housing agencies (PHAs) that own and manage low-income housing projects. The activities of the PHAs are supervised closely by the Secretary of the U.S. Department of Housing and Urban Development (HUD). The Congress provides funds in two separate budget accounts: one to cover operating costs and another for new construction or project modernization.

Under the program established by the bill, the functions of PHAs would be handled by local housing and management authorities (LHMAs). Initially, these LHMAAs would replace the existing public housing authorities in many areas. They would retain most of the responsibilities of the PHAs, but would have greater flexibility as to how to fulfill these responsibilities. In order to keep operating, however, the LHMAAs would have to be accredited pursuant to the requirements of Title IV of this bill. Once accredited, the LHMAAs would receive their funding as a block grant. With certain constraints, a LHMA could then choose to use the grant to cover operating expenses or capital needs. The bill would authorize the appropriation of \$6.3 billion for each of the fiscal years 1996–2000 for these block grants and for other costs under title II (see Table 2). In the first year that funds are available, 50 percent must be allo-

cated to operating costs. We assume that this requirement would apply to 1997. For later years, we expect that the LHMA's would use increasing amounts for operating expenses as costs increase.

TABLE 2: ESTIMATED BUDGETARY IMPACT OF H.R. 2406—BY PROGRAM
[By fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Title II—Public Housing:					
Public Housing Operating Subsidies:					
Estimated Authorization	485	3,051	3,123	3,201	3,281
Estimated Outlays	112	1,772	3,059	3,158	3,237
Public Housing Capital Assistance:					
Estimated Authorization	485	3,051	2,970	2,891	2,811
Estimated Outlays	15	110	189	189	189
Secretary's Reserve:					
Estimated Authorization	30	189	189	189	189
Estimated Outlays	15	110	189	189	189
Other:					
Estimated Authorization	1	10	19	20	20
Estimated Outlays	0	7	16	23	22
Title II Total:					
Authorization	¹ 1,001	6,301	6,301	6,301	6,301
Estimated Outlays	127	1,937	3,679	4,439	5,039
Title III—Choice-Based Housing Assistance:					
Tenant-Based Assistance:					
Authorization	²	1,862	1,862	1,862	1,862
Estimated Outlays	²	968	1,862	1,862	1,862
Disabled Families:					
Estimated Authorization	²	50	52	53	55
Estimated Outlays	²	25	51	53	54
Title III Total:					
Estimated Authorization	²	1,912	1,914	1,915	1,916
Estimated Outlays	²	993	1,913	1,915	1,916
Total Authorization:					
Estimated Authorization	1,001	8,213	8,215	8,216	8,218
Estimated Outlays	127	2,930	5,592	6,354	6,955

Note: Components may not sum to totals because of rounding.

¹ Authorized amounts for 1996 are computed as the difference between the bill's authorized levels and the annualized amounts already provided by appropriations acts for the fiscal year. These net amounts have been allocated in accordance with the bill's provisions.

² The title III authorizations for 1996 are not shown in the table because they have been exceeded by 1996 appropriations through and including Public Law 104–99.

The estimated outlays are based on past spending patterns for operating expenses and the project modernization program. The proposed changes reflect the amount authorized for 1996 less the amounts appropriated for public housing operating subsidies and project modernization through and including Public Law 104–99, the Balanced Budget Downpayment Act, I.

Of the amounts appropriated for the Title II programs, the Secretary would be allowed to retain up to 3 percent for a headquarters reserve fund. This fund would be used for needs resulting from natural disasters or other unforeseen events. Based on the Secretary's previous use of reserved funds, we assume that the Secretary would retain all the funds allowed and that they would be disbursed within two years.

Title III would establish a new tenant-based low-income rental assistance program that would replace the one in section 8 of the Housing Act of 1937. Under the current program, HUD enters into contracts with PHAs to provide assistance to qualified households. The new grants would be given directly to LHMA's and would serve very similar purposes. LHMA's would be given greater flexibility,

but the program would still be geared toward low-income tenants. Rental assistance contracts would be limited to one year but could be renewed annually.

The bill would authorize appropriations of over \$1.9 billion for each year of the 1996–2000 period for Title III. Continuing resolutions already enacted this year have provided over \$5 billion for contract renewals in 1996. Another 331,200 tenant-based contracts will need to be renewed in 1997. We estimate, however, that the \$1.9 billion authorized would renew only 304,240 units, a decrease in the assisted inventory of 27,000 contracts. Units that are renewed would come up for renewal again each year because of the one-year contracts required by the bill. Because housing costs continue to rise with inflation, annual funding at the level of \$1.9 billion would reduce the number of subsidized units from the 1997 renewal cohort by an additional 29,000 units over the 1998–2000 period. Moreover, the bill does not authorize funding for the 1998–2000 renewal cohorts, totaling over 800,000 units.

Title IV would create the Housing Foundation and Accreditation Board, an independent agency modeled after private accreditation boards for education and health care organizations. The board would evaluate LHMAAs at least once every five years. The evaluation would determine whether a LHMA would be accredited to manage or continue to manage a public housing program.

Based on the requirements of Title IV, information provided by the Joint Commission on the Accreditation of Healthcare Organizations, and the budgets of independent agencies that serve similar functions. CBO estimates that outlays for the board's expenses would be about \$64 million over the 1996–2000 period, assuming appropriations of the necessary amounts. The estimated funding for the board is provided out of the funds authorized in Title II. This estimate assumes that no outlays would occur in fiscal year 1996 and that the board would not begin accrediting LHMAAs until fiscal year 1998. We expect that, to comply with the evaluation and accrediting requirements of Title IV, the board would need to survey and assess approximately 900 LHMAAs each year, requiring between 100 and 150 employees by 1998. This estimated workload assumes that the board would accredit most of the 3,400 LHMAAs only once every five years—the maximum time between evaluations allowed by the bill.

Title V would repeal the current housing programs. It also would revise part of the Anti-Drug Abuse Act of 1988, such that those provisions would terminate at the end of 1996. The bill would authorize appropriations of such sums as would be necessary for 1996, and Public Law 104–99 appropriates \$290 million for 1996. The costs of Title V provisions, therefore, are not included in this estimate.

CBO estimates that the additional administrative costs of implementing H.R. 2406 would total about \$50,000 in 1997, with no appreciable costs in any other year. This estimate is based on information from HUD concerning the staff time that would be necessary.

7. Estimated impact on State, local, and tribal governments: CBO estimates that H.R. 2406 would impose an intergovernmental

mandate costing less than \$2 million a year. A mandate cost estimate is attached.

8. Estimated impact on the private sector: The bill would impose no new private sector mandates as defined in Public Law 104–4.

9. Estimate comparison: None.

10. Previous CBO estimate: On December 18, 1995, CBO prepared a cost estimate for S. 1260, the Public Housing Reform and Empowerment Act of 1995, as ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs on October 26, 1995. Both H.R. 2406 and S. 1260 would overhaul the nation's public housing system by consolidating programs and providing local housing authorities with additional flexibility. Unlike H.R. 2406, S. 1260 does not authorize appropriations for any housing programs, reduce administrative fees to housing authorities for administering the tenant-based housing program, or establish a Housing Accreditation Board. Therefore, whereas the estimated costs of H.R. 2406 total about \$34 billion in budget authority, S. 1260 was estimated to have no budgetary impact.

11. Estimate prepared by: Brent Shipp and John Righter.

12. Estimate approved by: Robert A. Sunshine, for Paul N. Van de Water, Assistant Director for Budget Analysis.

CONGRESSIONAL BUDGET OFFICE

ESTIMATED COST OF INTERGOVERNMENTAL MANDATES

1. Bill number: H.R. 2406.

2. Bill title: United States Housing Act of 1995.

3. Bill status: As reported by the House Committee on Banking and Financial Services on February 1, 1996.

4. Bill Purpose: H.R. 2406 would overhaul the nation's public housing system by consolidating programs and providing additional management flexibility to local housing management authorities (LHMAs—formerly known as public housing agencies or PHAs). As a condition of this new flexibility, LHMAs would be required to submit comprehensive housing plans to the Department of Housing and Urban Development (HUD) for review and approval. In particular, the bill would: consolidate many public housing programs into a single block grant; authorize funding for the block grant and set forth general provisions for its administration; implement the Choice-Based Rental Housing program (replacing Section 8) and reduce administrative fees provided to LHMAs for administering the program; create a housing board responsible for accrediting and overseeing LHMAs; and repeal the United States Housing Act of 1937 and many other public housing programs.

5. Intergovernmental mandates contained in bill: H.R. 2406 contains an intergovernmental mandate as defined in Public Law 104–4. Specifically, section 224 would require the National Crime Information Center, police departments, and other law enforcement entities to provide information to local housing and management authorities regarding the criminal convictions of public housing applicants and residents. This section would allow, but not require, LHMAs to pay a reasonable fee for this information.

6. Estimated direct costs to State, local, and tribal governments:
(a) Is the \$50 million Threshold Exceeded? No. (b) Total Direct

Costs of Mandates: CBO estimates that the total direct costs of this mandate would be less than \$2 million per year. (c) Estimate of Necessary Budget Authority: Not Applicable.

7. Basis of estimate: CBO expects that LHMAAs would make use of the authority to request information from law enforcement agencies regarding the criminal convictions of public housing applicants and residents. We assume that LHMAAs would make a single request for such information for each new placement into public housing. The number of new placements should approximate the rate of turnover (15 percent) in the nation's 1.3 million public housing units. The cost of providing such information generally ranges from \$10 to \$20 per request. Thus, total costs for such requests would range from \$2 million to \$4 million. Because many state and local governments already allow LHMAAs to request such information, CBO estimates that the incremental annual costs would be less than \$2 million.

8. Appropriation or other Federal financial assistance provided in bill: None.

9. Other impacts on State, local, and tribal governments: CBO estimates that the provisions of H.R. 2406 would have other impacts on LHMAAs that are not mandates, primarily by imposing new conditions on federal aid and by making changes in voluntary contracts.

New reporting requirements

H.R. 2406 would impose some new reporting requirements on LHMAAs that could result in short-term costs totaling about \$30 million in the first year. These requirements, which are conditions of aid, are designated as an activity eligible for block grant funding. Part of these costs could continue into future years if LHMAAs hire permanent staff to meet these requirements.

H.R. 2406 would require each LHMA to submit a comprehensive plan to the Department of Housing and Urban Development (HUD). LHMAAs currently provide most of the information that would be required by HUD in one form or another. LHMAAs would have to provide some new information and aggregate existing information from various reports into a new document (possibly in a new format). CBO estimates that many LHMAAs would hire consultants or additional staff as a result.

We estimate that the nation's approximately 3,300 LHMAAs would face additional costs to comply with these provisions although very few of them would be required to prepare a complete plan as envisioned in Section 107. Most LHMAAs would submit either a streamlined plan or just such additional information as required by HUD. CBO estimates that costs to LHMAAs would vary between \$5,000 and \$10,000 per agency. Small housing agencies (those with under 250 units) would likely incur costs at the higher end of the range because of limited staff resources. Approximately two-thirds of all housing agencies fall into this group. CBO estimates total compliance costs to be approximately \$30 million in the first year.

Reduction to fees for administering choice-based rental housing

H.R. 2406 would also affect LHMAAs by reducing the fees that they receive for administering the Choice-Based Rental Housing Program on behalf of HUD. LHMAAs voluntarily enter into contracts with HUD to provide these services. Under the bill, HUD would reimburse LHMAAs between 6.0 percent and 6.5 percent of a base amount (generally related to the fair market rental) for each unit administered. Currently, HUD reimburses LHMAAs about 8 percent of the fair market rental of a 2-bedroom dwelling or each unit administered.

These reductions in the administrative fee would result in a loss of income for LHMAAs. CBO estimates that LHMAAs would receive about \$35 million less per year for fiscal years 1997 to 2000 (assuming the renewal of approximately 300,000 units). The effect of this provision in future years, as additional housing units are renewed, would be quite significant. When this proposal is applied to the renewal of all 1.4 million choice-based rental housing units (in fiscal year 2000 at the earliest), the loss to LHMAAs would exceed \$170 million a year.

Local housing and management authority flexibility

H.R. 2406 would provide LHMAAs flexibility by repealing the United States Housing Act of 1937, many other housing-related provisions, and all of the rules, regulations, and orders currently pertaining to these laws. The bill would require HUD to issue new rules and regulations implementing the revised program. To the extent that the new regulations are less restrictive than current regulations—and we expect that this would be the case—LHMAAs could benefit. For instance, greater flexibility in setting rents might allow LHMAAs to increase their rental income over the long term.

10. Previous CBO estimate: On December 18, 1995, CBO prepared a cost estimate for S. 1260, the Public Housing Reform and Empowerment Act of 1995, as ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs on October 26, 1995. That cost estimate did not contain an analysis of intergovernmental mandates.

11. Estimate prepared by: Marc L. Nicole.

12. Estimate approved by: Robert A. Sunshine, for Paul N. Van de Water, Assistant Director for Budget Analysis.